

## Message Text

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PAGE 01 NEW DE 00896 201409Z

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ACTION NEA-09

INFO OCT-01 ISO-00 NEAE-00 FBO-02 A-01 SSO-00 /013 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 6407

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FOR NEA/INS PASS LANDE

E. O. 11652: N/A

TAGS: ABLD, IN

SUBJ: GENERATORS

1. DWAYNE A. HOUSE, PRESIDENT, ATLANTIC ENGIN POWER COMPANY, WHO IS IN INDIA TO INSPECT INSTALLATION GENERATORS RECENTLY PURCHASED BY EMBASSY (STATE 005723), DROPPED BY KENNON'S OFFICE TO INQUIRE WHEN HE CAN EXPECT PUEYMENT FOR GENERATORS. WE GAVE HIM DETAILED HISTORY ON TRANSACTION,

STARTING WITH FACT THAT EMBASSY'S CONTRACT HAD BEEN WITH CAPCO/DHYANI AND THAT EMBASSY HAD MADE PAYMENT AT TIME OF DELIVERY OF GENERATORS TO FULFILL ITS PART OF CONTRACT.

HOUSE ARGUED THAT EMBASSY HAD SOME RESIWAL RESPONSIBILITY FOR SEEING THAT ATLANTIC ENGIN POWER IS PAID, SINCE EMBASSY WAS INVOICED ON SHIPMENT, AND SINCE EMBASSY KNEW RUPEES WOULD NOT BE EASY FOR SQYROW TO SPEND WHEN IT ENTERED INTO THE CONTRACT. KENNON REPLIED THAT WE HAD MADE DIFFICULTIES CLEAR TO SHAMP AND HE WENT INTO CONTRACT WITH HIS EYES OPEN. KENNON FURTHER POINTED OUT THAT WE HAD BEEN QUITE ACTIVE WITH GOI IN TRYING TO GET FUNDS RELEASED, BUT THAT ACTIONS OF HYDE, SMITH, AND DHYANI, INCLUDING TRYING TO CONVERT THE RUPEES THE EMBASSY PAID FOR GENERATORS INTO FOREIGN EXCHANGE FOR WHOLLY FICTITIOUS INTERNATIONAL TRANSPORTATION EXPENSES, HAD NOT EASED OUR TASK. WE WERE STILL TRYING AND EXPECTED THAT WE WOULD BE ABLE TO WORK SOMETHING OUT.

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PAGE 02 NEW DE 00896 201409Z

2. HOUSE THEN SAID HE HAD IMMEDIATE SALES PROSPECTS FOR THE GENERATORS IN THE MIDDLE EAST, AND ASKED THAT IF ATLANTIC ENGINE POWER CANNOT BE ASSURED OF PROMPT PAYMENT THAT IT BE ALLOWED TO TAKE THE GENERATORS BACK. HE SAID THAT FACT HYDE HAD PROPOSED SIMILAR PLAN INVOLVING A SWAP OF GENERATORS (STATE 0091735) WAS NEWS TO HIM. HE RATHER VAGUELY PROPOSED MERELY THAT THE EMBASSY GET THE RUPEES BACK. KENNON SAID HE DIDN'T KNOW WHETHER THIS WAS POSSIBLE, BUT OUTLINED A SUFFICIENT NUMBER OF PROBLEMS TO INDICATE THAT THIS COULD HARDLY BE CONSIDERED A QUICK SOLUTION. (WE DON'T KNOW WHAT ALL THE PROBLEMS MIGHT BE, BUT THERE COULD BE PROBLEMS WITH RELEASES FROM DHYANI ET AL, DETERMINING AMOUNT TO BE RETURNED AND BY WHOM, WHO BEARS THE FREIGHT BILL, AND PERHAPS EVEN APPROVAL OF GOI). AT ANY RATE, WE TOLD HIM THAT OUR INSTRUCTIONS WERE TO TRY TO WORK OUT A SETTLEMENT, AND THAT A CHANGE TO RETURNING THE GENERATORS WOULD CERTAINLY REQUIRE NEW INSTRUCTIONS. (FYI) AFTER ALL THAT HAS TAKEN PLACE, THIS EMBASSY CANNOT VIEW HAPPILY GIVING UP ITS GENERATORS). WE TOLD HIM WE WOULD REPEAT HIS PROPOSAL TO WASHINGTON AND GET THE DEPARTMENT'S REACTION. WE CAUTIONED HIM THAT THERE MIGHT NOT BE TIME BEFORE HE LEAVES DAY AFTER TOMORROW FOR AN ANSWER. HE IS GOING ON TO TEHRAN AND THEREFORE WE CAN FORWARD ON AN ANSWER.

3. WE HAVE BEEN PURSUING THE MATTER OF THE TRANSFER INTO FOREIGN EXCHANGE OF OLE REMAINING RS. 500,000 (OF RS. 1.1 MILLION BILLED FOR FREIGHT (STATE 0091735) AND HAVE LEARNED THAT ANY ADDITIONAL PAYMENT IS BLOCKED BY THE FINANCE MINISTRY ON GROUNDS THAT AIR INDIA DAYS THAT EHMK 600,000 IS A FAIR AMOUNT FOR THIS SHIPMENT. SAREEN (THE INDIAN LAWYER FOR PAN AVION) INSISTS THAT HE HAS A LETTER FROM AIR INDIA SAYING THAT RSM 1.1 MILLION WAS CHEAPER THAN IT WOULD HAVE CHARGED. THE FINANCE MINISTRY WILL REEXAMINE THE CASE IF THIS LETTER AS PRODUCED. WE ARE TRYING TO REACH SARE.

4. BAIJAL HAS AGAIN INDICATED HIS DESIRE TO SEE THE CASE SETTLED, HE SUGGESTED TO KENNON AS A POSSIBILITY THAT THE GOI RELEASE A TOTAL OF PERHAPS 25 PERCENT OF THE RS. 5.2 MILLION IN FOREIGN LIMITED OFFICIAL USE

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PAGE 03 NEW DE 00896 201409Z

EXCHANGE, AND THEN SHYRON COULD MAKE PROPOSAL FOR THE USE OF THE REMAINDER IN INDIA. KENNON TOLD HIM THAT SOMEHOW HIS MUSINGS ON THIS POINT HAD GOTTEN BACK TO THE INDIAN EMBASSY IN WASHINGTON WHICH HAD TALKED TO HYDE IN TERMS OF A FULL SETTLEMENT IN FOREIGN EXCHANGE. BAIJAL SAID THAT THIS WOULD CERTAINLY NOT BE POSSIBLE, ESPECIALLY SINCE THE GOI CONSIDERS THE BILL FOR BOTH FREIGHT AND PRODUCT TO BE INFLATED. KENNON SAID WE WOULD BE IN TOUCH AFTER LANDE GOT BACK FROM WASHINGTON.

SCHNEIDER

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